

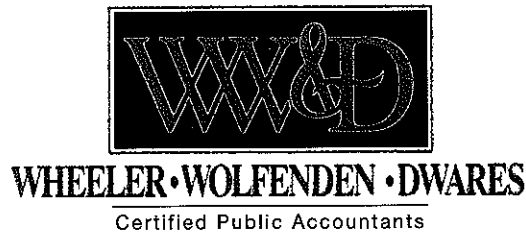
DELAWARE AGRICULTURAL
LANDS PRESERVATION FOUNDATION

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

June 30, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Delaware Agricultural Lands Preservation Foundation
Dover, Delaware

We have audited the accompanying financial statements of the special revenue fund of Delaware Agricultural Lands Preservation Foundation (the Foundation), as of and for the year ended June 30, 2007. These financial statements are the responsibility of Delaware Agricultural Lands Preservation Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the special revenue fund of Delaware Agricultural Lands Preservation Foundation as of June 30, 2007, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The Foundation has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

To the Board of Trustees
Delaware Agricultural Lands Preservation Foundation

The budgetary comparison information is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. The Foundation has not presented the budgetary comparison information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Wheeler, Wolfenden & Dwares, PA

December 4, 2007
Wilmington, Delaware

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

BALANCE SHEET – GOVERNMENTAL FUND

June 30, 2007

	Special Revenue Fund
ASSETS	
Cash and cash equivalents	\$ 9,084
Cash held by the State	8,666,009
Total cash	<u>8,675,093</u>
Rollback taxes receivable	7,131
Interest income receivable	<u>321</u>
TOTAL ASSETS	<u>\$ 8,682,545</u>
LIABILITIES	
Accounts payable	\$ 44,726
Accrued salaries and related costs	<u>5,374</u>
Total current liabilities	50,100
FUND BALANCE	
Unreserved	<u>8,632,445</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 8,682,545</u>

The accompanying notes are an integral part of these financial statements.

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND

For the Year Ended June 30, 2007

	Special Revenue Fund
REVENUES	
Farmland Preservation	\$ 10,000,000
Federal grant	5,134,809
County reimbursements	2,305,531
Blenheim transfer	250,000
Rollback taxes	18,019
License plate income	9,695
In-kind contribution	274,199
Donation	25
Interest income	<u>11,159</u>
Total revenues	18,003,437
EXPENDITURES	
Current	
Easement and development rights acquisition	
Appraisals	168,075
Contracts	183,742
Equipment/fleet rental	23,312
Legal fees	353,967
Mapping	185,325
Public/legal notice	4,127
Survey fees	178,198
Travel	<u>2,336</u>
Total easement and development rights acquisition	1,099,082
Administrative	
Audit	3,795
Insurance	3,000
Office expense	10,153
Salaries and related expenses	<u>352,532</u>
Total administrative expenses	369,480
Capital outlay	
Equipment	7,776
Easements and development rights	<u>20,467,354</u>
Total expenditures	<u>21,943,692</u>
Net change in fund balance	(3,940,255)
Fund balance – beginning of year	<u>12,572,700</u>
Fund balance – end of year	<u>\$ 8,632,445</u>

The accompanying notes are an integral part of these financial statements.

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

On July 8, 1991, the Governor of the State of Delaware signed House Bill 200 to amend Chapter 9, Title 3, of the *Delaware Code*. The legislation established a comprehensive agricultural lands preservation program to serve the long-term needs of the agricultural community and the citizens of Delaware. It is declared policy of the State to conserve, protect and encourage improvement of agricultural lands within the State for the production of food and other agricultural products useful to the public, which are grown, raised or harvested on lands and water in the State of Delaware.

The Delaware Agricultural Lands Preservation Foundation (the Foundation) was created by this legislation to accomplish this mission by establishing Agricultural Preservation Districts of viable and productive farmland and forestland. The Foundation is directed to provide economic incentives and benefits to agribusiness, purchase development rights from landowners, encourage development in areas where infrastructures exist, and promote the agricultural industry and the concept of preserving viable land for the future.

The enabling statute for the Foundation established a trust fund. Monies for farmland preservation have come from the 21st Century Fund set up by the General Assembly under the control of the Secretary of Finance and released to accounts within the Delaware Department of Agriculture under the certification and subsequent control of the Secretary of Agriculture. Federal funds and monies from the Capital Budget, earmarked for agricultural lands preservation district creation, are also solely the responsibility of the Delaware Department of Agriculture. All accounting of these expenditures is within the State of Delaware's accounting system, DFMS.

The General Assembly of the State of Delaware provided funding for the Foundation under Senate Bill No. 229 in the amount of \$10,000,000. Administrative costs of the Foundation are included in this funding and were in the amount of \$150,000 for the year ended June 30, 2007. The administrative funds are administered directly by the Foundation in separate fund accounts; the remaining \$9,850,000 is administered by the State of Delaware.

2. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)

2. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Foundation considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Foundation reports on only one fund which is the special revenue fund (a governmental fund type).

3. Cash and Cash Equivalents

Except for the checking account, cash and cash equivalents of the Foundation are controlled by the State Treasurer's Office in Dover, Delaware. The checking account is controlled by the Foundation.

4. Receivables

All receivables are considered fully collectible by management. No allowance for bad debt is deemed necessary.

5. Capital Assets

The Foundation defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. If such assets were acquired, they would be reported in the government-wide financial statements and would be recorded at historical cost or estimated historical cost. Donated capital assets would be recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives of the assets are not capitalized.

6. Fund Balance

In the fund financial statements, governmental funds report an unreserved fund balance for amounts that are available for appropriation.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH AND CASH EQUIVALENTS

As of June 30, 2007, the Foundation has a cash and cash equivalents balance of \$8,675,093. Of that amount, \$8,666,009 is part of an investment pool controlled by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

The funds held by the State of Delaware investment pool, and internal investment pool, are specifically identified for the Foundation, but the credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the State. The State reports that its investment securities are stated at quoted market prices, except that investment securities with a remaining maturity of one year or less at the time of purchase are stated at cost or amortized cost.

The checking account is in the custody of the Foundation officials. At June 30, 2007, the book and bank balances of these funds were \$9,084 and \$11,527, respectively. The bank balance of cash deposits is insured by the Federal Deposit Insurance Corporation (FDIC) and, therefore, there is no custodial credit risk for these cash deposits.

NOTE C – ROLLBACK TAXES

Under the provisions of House Bills 200 and 630, rollback taxes under the Farmland Assessment Act are directed to be paid by the Counties to the Foundation. In the Farmland Assessment Act of 1969, provision is made for a rollback tax. These rollbacks occur whenever lands qualified under the Farmland Assessment Act are changed in use from agriculture to some other use. Under the provisions of House Bill 630, a change of use was further defined as changes in zoning, subdivision, building permits or certificate of occupancy status. On the day that such rollback takes effect, a tax obligation is created for the owner of record. The tax is computed as the difference in the taxes that would have been paid without Farmland Assessment, and the taxes that were in fact paid under Farmland Assessment for five years previous to the date of change in use. This sum of money is due and payable to the County, and is then directed by the County to two recipients.

NOTE C – ROLLBACK TAXES (CONTINUED)

The first recipient is the school district within which the property lies, and the second is the Foundation. The share of the money from the rollback tax, which is computed for each of these recipients, is based upon their proportionate share of the tax rate, which was in effect during the five years on which the rollback was computed. Under statute, the County forwards to the school district board that portion of the rollback tax attributable to the local school district. From the remaining funds, the County removes a 7.5 percent administrative fee as provided by statute and forwards the remaining dollars to the Foundation.

The Foundation records any rollback taxes collected by the Counties as of June 30 but not remitted to the Foundation until later as a rollback tax receivable. The amount of the rollback taxes receivable was \$7,131 at June 30, 2007.

NOTE D – CAPITAL ASSETS

Capital assets are not presented on the fund financial statements; however, the Foundation had the following capital asset activity for the year ended June 30, 2007:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Land	\$97,529,263	\$20,467,354	\$ -	\$117,996,617
Equipment	<u>63,352</u>	<u>7,776</u>	<u>-</u>	<u>71,128</u>
	<u>\$97,592,615</u>	<u>\$20,475,130</u>	<u>\$ -</u>	<u>\$118,067,745</u>

NOTE E – ACCOUNTS PAYABLE

Accounts payable represents consulting/contractual services and legal expenses incurred by the Foundation prior to the end of the fiscal year but not paid until the following fiscal year. Accounts payable was \$44,726 at June 30, 2007.

NOTE F – PENSION PLAN

Foundation employees are considered State employees and are covered under the State's pension program. For fiscal year 2007, the State contributed 15.95 percent of the State's share of the employees' salary. Employees contribute 3 percent of salary in excess of \$6,000 per share up to social security maximum and 3 percent for any salary above social security maximum. Total pension cost of \$9,568 is included in the financial statements. Pension cost accrued at June 30, 2007 was \$837.

NOTE F – PENSION PLAN (CONTINUED)

Certain significant plan provisions follow:

- Early retirement
 - a. 15 years service – age 55
 - b. 25 years service – any age
- Service Retirement
 - a. 15 years service – age 60
 - b. 30 years service – any age
 - c. 5 years service – age 62
- Disability Retirement
 - a. 5 years service and proof of disability
- Vested Pension
 - a. An employee can vest pension rights after 5 years of service.

The State's pension program is a defined benefit plan. More information on this plan is available in the State of Delaware Public Employee Retirement System (DPERS) Comprehensive Annual Financial Report. This report may be obtained by writing DPERS at Suite 1, McArdle Building, 860 Silver Lake Boulevard, Dover, Delaware 19904, by calling 1-800-722-7300, or visiting their website at www.delawarepensions.com/information/financials.shtml.

NOTE G – LEASE

The Foundation is committed under a capital lease for the Document Imaging System through November 1, 2007. The cost of the equipment at time of lease was \$75,503. Monthly payments, including principle and interest, are approximately \$5,000. For the year ended June 30, 2007, the lease expense was approximately \$19,000, and interest expense was approximately \$530.

The following is a summary of future annual lease payments:

	<u>Principal</u>	<u>Interest</u>
June 30, 2008	\$ <u>9,838</u>	\$ <u>89</u>

NOTE H – COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various outstanding commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The Foundation does not anticipate losses from these transactions.

NOTE I – DONATED FACILITIES AND SERVICES

The estimated fair market value of donated services and facilities received from the State of Delaware, Department of Agriculture included in the financial statements are as follows as of June 30, 2007:

Personnel	\$ 261,829
Travel	1,500
Contractual	5,870
Supplies	<u>5,000</u>
	<u>\$ 274,199</u>



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
Delaware Agricultural Lands Preservation Foundation
Dover, Delaware

We have audited the financial statements of the special revenue fund of Delaware Agricultural Lands Preservation Foundation (the Foundation) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Delaware Agricultural Lands Preservation Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Delaware Agricultural Lands Preservation Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control.

To the Board of Trustees of
Delaware Agricultural Lands Preservation Foundation

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Foundation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delaware Agricultural Lands Preservation Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to the management of Delaware Agricultural Lands Preservation Foundation in a separate letter dated December 4, 2007.

This report is intended solely for the information and use of the Foundation's management, the Board of Trustees, Department of Agriculture, Office of Management and Budget, Department of Finance and others within the entity and is not intended to be, and should not be, used by anyone other than these specified parties.

Wheeler, Wolfenden & Durures, PA

December 4, 2007
Wilmington, Delaware

OTHER INFORMATION

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the Year Ended June 30, 2007

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the special revenue fund of the Delaware Agricultural Lands Preservation Foundation.
2. No material weaknesses were identified during the audit of the basic financial statements of the special revenue fund of the Delaware Agricultural Lands Preservation Foundation.
3. No instances of noncompliance material to the financial statements of the special revenue fund of the Delaware Agricultural Lands Preservation Foundation were disclosed during the audit.

FINDINGS – COMPLIANCE REPORTING

None.

FINDINGS – FINANCIAL REPORTING

None.

STATUS OF PRIOR AUDIT FINDINGS

None.